

# MONTHLY REVENUE REPORT

## August 2003

The revenue collected from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.51 billion in August, which was up 4.9% from the year-ago level. This marked only the fourth monthly increase in tax collections so far this fiscal year. One reason for the increase in August was the additional revenue collected from the State education property tax due to the acceleration in its due date. If this one-time revenue from the State education property tax is excluded, it is estimated that overall tax collections were up about 3.0% in August. Other taxes experiencing an increase in tax collections in August include the tobacco, single business, insurance, real estate transfer, and severance taxes. While collections were up in August, the news was not all good. On the down side, tax collections from the all-important sales, use, and income withholding taxes were down for the second consecutive month. On a fiscal year-to-date basis, collections from these major taxes are down 1.2%, which is well below the 3.0% increase expected for FY 2002-03.

It now appears that tax collections will fall below the consensus estimate for FY 2002-03, due to the following three factors: 1) tax collections on a fiscal year-to-date basis were down about \$150 million at the end of July, 2) collections in August were very close to the monthly estimate and therefore did not make up any of the earlier shortfall, and 3) despite expectations that employment would be increasing by now, employment continues to decline, and therefore, tax collections in September and October are now expected to fall below the estimated levels. As a result, it is now estimated that tax collections for FY 2002-03 will fall short of the May consensus estimate by \$250 million to \$300 million.

Net income tax collections (gross collections less refunds) totaled \$499 million in August, which was up 1.5% from last year. Gross collections, which include income tax withholding, quarterly, and annual payments, were down 1.7%. Income tax withholding payments, which account for most of gross income tax collections, have now declined in five of the past six months, which directly reflects the continued deterioration in the Michigan labor market. Income tax refunds paid to taxpayers declined 36.9% from last year's level to a total of only \$28 million in August, which more than offset the decline in gross income tax collections. On a fiscal year-to-date basis, net income tax collections are down 5.8%, which is running well below the estimated 1.9% decline adopted for FY 2002-03 at the May 2003 Consensus Revenue Estimating Conference.

Sales tax collections totaled \$505 million in August, which was down 4.7% from last year's level. This marks the fourth decline in the past five months. Sales tax collections from motor vehicle transactions were down 10.8% from a very strong year-ago level, and sales tax collections from all other taxable retail sales were down 3.1%. On a fiscal year-to-date basis, sales tax collections are even with last year's collections, but are lagging behind the 1.0% increase estimated for FY 2002-03.

Single business tax collections totaled \$106 million in August, which topped last year's collections by 21.2%; however, based on the consensus economic forecast and historical collection patterns, August collections were expected to be even larger. So far this fiscal year, single business tax collections are down 6.8%, which is below the FY 2002-03 consensus estimate of a 4.4% decline.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for August 2003, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the revenue estimates for FY 2002-03, which were adopted at the May 2003 Consensus Revenue Estimating Conference.

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**MICHIGAN REVENUE UPDATE**  
**AUGUST 2003**  
(dollars in millions)

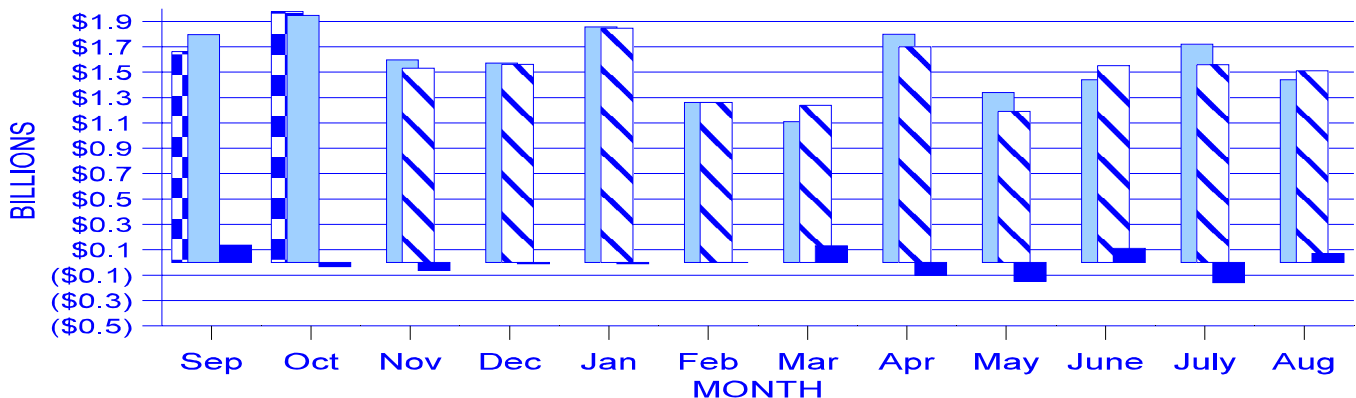
Type of Revenue	August Collections		FY 2002-03 to Date <sup>2)</sup>		FY 2002-03 Estimate <sup>3)</sup>	
	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago
Gross Income Tax	\$ 527.1	(1.7)%	\$6,158.4	(2.6)%	\$7,473.7	(0.9)%
Refunds	(28.2)	(36.9)	(1,483.1)	8.7	(\$1,493.8)	3.2
Net Income Tax	\$498.9	1.5%	\$4,675.3	(5.8)%	\$5,979.9	(1.9)%
Sales Tax	504.7	(4.7)	5,278.8	0.0	6,504.1	1.0
Motor Vehicles	95.2	(10.9)	866.6	(1.2)	—	—
All Other Sales Tax	409.5	(3.1)	4,412.2	0.3	—	—
Use Tax	100.6	(6.3)	1,016.3	(6.6)	1,257.2	(3.8)
Tobacco Taxes	82.7	40.4	737.4	47.4	867.9	29.5
Single Business Tax	128.8	21.3	1,540.6	(6.8)	1,895.6	(4.4)
Insurance Tax	25.1	22.4	203.8	7.9	250.8	10.4
State Education Property Tax	119.1	61.8	1,072.4	3.7	2,117.2	33.7
Real Estate Transfer Tax	29.1	6.6	213.7	3.3	260.0	2.7
Estate/Inheritance Tax	5.6	(48.6)	84.5	(28.0)	102.3	(21.9)
Casino Gaming Tax	7.7	1.3	76.0	(0.8)	91.0	(1.0)
Oil & Gas Severance Tax	4.3	79.2	43.8	65.3	42.0	36.8
<b>Total</b>	<b>\$1,506.6</b>	<b>4.9%</b>	<b>\$14,942.6</b>	<b>(1.2)%</b>	<b>\$19,368.0</b>	<b>3.0%</b>
<b>Addendum:</b>						
Gross Lottery Sales 4)	\$152.0	2.6%	\$1,543.4	(1.1)%	\$1,680.0	(0.4)%
Net to School Aid Fund 4)	\$ 45.3	(9.8)%	\$ 535.5	(4.3)%	\$ 588.0	(4.2)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2002-03 year-to-date collections begin with November 2002 collections to reflect accrual accounting.
- 3) Revenue estimates adopted at the May 13, 2003, Consensus Revenue Estimating Conference.
- 4) Lottery revenue is not accrued, so FY 2002-03 lottery revenue will include October 2002 to September 2003.

## Actual Revenue Collections for Major State Taxes\*

September 2001 to August 2003

CASH COLLECTIONS (Billions of Dollars)



\*Comparison of actual collections. Major taxes include the net income (gross collections less refunds), sales, use, tobacco (cigarette tax and other tobacco products tax), SBT, insurance retaliatory, estate, oil and gas severance, State education, real estate transfer, and casino wagering taxes.